

CITY OF CHICAGO
Department of Procurement Services

2013 Budget

A Message from

Jamie L. Rhee
Chief Procurement Officer

October 19, 2012

Chairman Austin and members of the City Council, on behalf of the Department of Procurement Services, I would like to thank the Mayor and you for allowing us to present our 2012 accomplishments and our operational plan for 2013.

DPS continues to implement innovative ways to work within the financial constraints continuing to affect the City. In doing so, we are increasing operating efficiencies, transparency and accountability in the contracting process and expanding Minority- and Women-owned Business Enterprise (M/WBE) contracting opportunities.

Participation

As the City continues to work to build capacity and increase contracting opportunities, your help, including outreach and Community meetings in your wards, coupled with ongoing work by the Assist Agencies, has resulted in the identification of more minority and women owned businesses to bid on City work. Our work is far from complete; however, with your continued assistance, we will build on this strong foundation going forward.

In conjunction with the Mayor's vision, DPS has implemented a number of exciting programs to develop and build capacity and increase opportunities for our small, local, minority and women-owned businesses. The Mentor/Protégé ordinance assists Certified Firms in developing their capacity to become self-sufficient, competitive and profitable business enterprises, by creating mentoring programs with established prime contractors. For non-federally funded contracts for goods, the Local Manufacturing ordinance calls for a bid incentive to be given to bidders providing goods made or assembled in the City of Chicago. In addition, a Local Business Preference ordinance allows for a 2 percent bid

preference for bidders on City contracts that have a majority of their full-time workforce in the City.

Small, minority and women-owned business participation in City contracts as prime, subcontractor or supplier continues to be a key focus of this department. Additionally under Mayor Emanuel opportunities for City of Chicago based businesses have increased. In this challenging economic environment, M/WBE participation in contracts awarded through August 2012 exceeded all of our goals mandated by ordinance, whether 17% for MBE and 5% for WBE firms for non-construction contracts or 24% MBE and 4% WBE for construction.

40% of the dollar value of contracts awarded by DPS through August 2012 were committed or awarded to certified MBE and WBE companies in either a prime or subcontracting role. Through the first eight months of 2012, 35% of the \$928 million in City contracts awarded went to minority-owned firms and 5% went to women-owned firms.

As of August 31, 2012, African Americans were awarded \$193 million, or 21% of all contract awards compared to \$96 million or 8% during the same time period in 2011, Hispanics were awarded \$118 million or 13% compared to \$201 million or 16% during the same time period in 2011, Asian Americans were awarded \$35 million or 4% compared to \$52 million or 4% during the same period in 2011 and non-minority Women Business Enterprises were awarded \$26 million or 3% compared to \$14 million or 5% during the same time last year.

As we announced last year, we began the effort to augment the reporting of awards with an analysis of actual dollars spent. This reporting acts as a check and balance to the reporting of awards. However, as reports of payment covers contracts as they are closed out and cannot be readily correlated to any particular award year, we will still need to report on awards for a given year. The reason for this is that actual payments are not calculated until a contract has closed out. For example, the figures for the actual payments listed below represents contracts awarded between 2003 and 2010.

In regards to payments confirmed by minority and women vendors who performed on City contracts we can report the following: Between January 2012 and September 2012, a review of 20 contracts was completed. Of the \$773.5 million paid out, 21% went to MBEs and 5% went to WBEs. The following numbers represent actual dollars paid to M/WBE firms on these contracts. African Americans were paid \$90 million or 12%; Hispanics were paid \$60 million or 8%; Asian Americans were paid \$9 million or 1% and Women (non-minority) were paid \$39 million or 5%.

Certification and Compliance

While these increases are good news, our department, like City Council, is not satisfied. We remain committed to the growth and development of minority and women-owned business enterprises in the City of Chicago. Since the beginning of 2012, when the responsibility for the certification of M/W/DBE firms and compliance with City's M/W/DBE program was returned to DPS, we have pursued every opportunity to ensure that the City's procurement process remains fair, inclusive and diverse.

We continue our push for all primes and subcontractors to utilize our online C2 System by which contractors report commitments, payments and participation. Since recently taking responsibility for these functions, we have sent alerts to both primes and subcontractors; worked with Assist Agencies to communicate the benefits of the system to vendors; and held 18 training sessions in an effort to utilize technology for the tracking of payments and participation.

Outreach

Since January of this year, DPS has participated in over 90 events and workshops to provide businesses with information on the City's procurement process and business opportunities. DPS will continue to implement outreach programs throughout Chicago's business community in an effort to increase awareness of contracting opportunities for minority and women-owned businesses and provide information on certification contract compliance. In addition to working with elected officials, assist agencies and other stakeholders, DPS will continue to analyze existing certified firms for opportunities to match them with available contracting opportunities.

To further assist M/WBEs and the entire vendor community, DPS continues to release the City's Buying Plan that outlines goods and services along with subcontracting opportunities the City will be advertising for bid over the next 18 months. The Buying Plan is a great resource for firms looking to bid, to network, or to seek joint venture opportunities.

DPS continues to offer 12 workshops which cover topics including "Compliance 101", "Bonding", "Job Order Contracting" and "How to do Business with the City of Chicago".

These, and others, are designed to provide vendors with information to assist them in becoming successful bidders on City contracts. DPS also has publications such as "Procurement Fundamentals" and "Certified, Now What?" that provide valuable information on the procurement process and various resources available to both small and large businesses.

Procurement Modernization

DPS partnered with Accenture during 2012 and is on track to reach the goal of \$25 million of savings this year. In addition, Accenture's substantial experience and resource base was tapped by DPS and resulted in a great deal of knowledge transfer that benefited our employees. Enhanced RFP contract negotiation, sourcing and price renegotiation practices are among a few areas where DPS employees have made huge strides. DPS continues working to increase coordination of procurement activities to reduce contract processing times and save money for the City.

Generating Revenue

DPS continues coordinating with other City departments, including 2FM, Water Management and Streets and Sanitation, to aggressively identify obsolete equipment, vehicles and scrap. Last year, the City's Online Surplus Auction Program generated over \$3.6 million, doubling the output for 2010; this year's auctions are on track to surpass the \$4 million mark.

Collaboration and Creating Efficiencies

DPS coordinates regular meetings with the CPOs of the Sister Agencies and the County as well as representatives from other local governments and the State. During these sessions we share information about upcoming purchases and coordinate our policies to make doing business with our governments easier. We are collaborating most closely with the CPOs of the County and CPS on several major purchases, especially our primary contract for computers and software. We conducted a joint evaluation with representatives from the City, County and CPS, and the result is a contract that should save the City over \$1M a year and CPS over \$3M.

DPS is also nearing completion of a unified M/WBE Certification application process that will result in a reciprocal City/County vendor pool that will make it easier for small businesses to become certified by only having to apply once.

Madam Chairman and members of the City Council, whether evaluating our past performance, implementing industry best practices or harnessing cutting-edge technology to our benefit, DPS will continue to push the envelope of standards in the public procurement sector. Please be assured that we remain committed to providing sound, fair and transparent procurement services for the City of Chicago.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read 'Jamie L. Rhee', with a long horizontal line extending to the right.

Jamie L. Rhee
Chief Procurement Officer
City of Chicago

2013 Budget Hearing

MBE/WBE Data

Period: 01/01/2012 through 09/30/2012

Total Purchases: \$810,801

	MBE	WBE	Total MBE/WBE Purchases
Asian	\$11,084 (1.4%)	\$0 (0%)	
African-American	\$543,035 (67.0%)	\$19,401 (2.4%)	
Hispanic	\$0 (0%)	*Please see below	
Total Spending	\$554,115 (68.3%)	\$19,401 (2.4%)	\$573,520 (70.7%)

**DPS has a contract with PERALTA GARCIA GOVERNMENT INNOVATIONS, a Hispanic WBE that is paid a 1% commission by the winning bidder of each Online Reverse auction that they host.*

Staffing Data

Department Ethnicity and Gender				
	Male	Female	Total	%
Asian	7	0	7	10
Black	10	25	35	49
Hispanic	1	6	7	10
White	12	10	22	31
Total	30	41	71	
	42%	58%		

New Hires Ethnicity and Gender				
	Male	Female	Total	%
Asian	1	1	2	29
Black	1	1	2	29
Hispanic	0	0	0	0
White	1	2	3	42
Total	3	4	7	
	43%	57%		

Department Managers Ethnicity and Gender				
	Male	Female	Total	%
Asian	2	0	2	20
Black	2	1	3	30
Hispanic	0	1	1	10
White	3	1	4	40
Total	7	3	10	
	70%	30%		

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Department of Procurement Services

